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United States Policy in Nicaragua

A REVIEW of American relations with Nicaragua during the last eighteen years throws much light on the past and present policy of the United States in Central America. This issue of the *Information Service*, based largely upon the published diplomatic correspondence of the United States, is intended to provide a basis for following current developments in the Nicaraguan controversy.

Nicaragua has been an object of interest to foreign powers almost from the beginning of her history. In the eighteenth and early nineteenth centuries, when the present Central American countries were still Spanish colonies, Nicaragua was important as a trade route across the Isthmus. Her two great lakes with their outlet to the Atlantic early attracted the attention of those interested in a Central American canal and led to many diplomatic controversies affecting her foreign relations.

The two political parties which are now competing for the control of the Republic have existed since colonial times, and perpetuate in some measure the political rivalry between the chief cities begun in the days of

Spanish rule. The Conservatives, whose influence centers in Granada, a city of about 25,000 population, are led by the prominent merchants and landed proprietors who form a sort of Creole aristocracy. The Liberals have had their center in Leon, formerly the provincial colonial capital, and now with almost 50,000 population the largest city in the country. Their leaders are recruited from the less wealthy professional class. Although the common people are given the franchise, democratic institutions, in the American sense, have never existed.

From 1821, when the colonies broke away from Spain, to 1863, Nicaragua was torn by frequent civil wars and revolutions. American filibusters played an important part in many of these conflicts and on one occasion during the period of the California gold rush an American adventurer, William Walker, with an army recruited in the United States, succeeded in having himself elected president of the country. Shortly after he assumed power in 1856, Walker was defeated by a coalition of the other Central American states, backed by Cornelius Vanderbilt, who at the time was interested in a transport

company in Nicaragua. From 1867 to 1893, the Conservative party was in power and comparative peace reigned throughout the country. The Conservatives were succeeded in 1893 by the Liberals under the leadership of José Santos Zelaya, who remained the absolute ruler of Nicaragua for sixteen years. Zelaya, although he developed the railway system, and extended public instruction to some extent, exploited the country largely for his personal profit, suppressed freedom of speech and the press and burdened the country with a heavy foreign and domestic debt. Zelaya's political activities created intense opposition in the other Central American countries and during the last three years of his administration his attempts to reestablish the old Federal Union of Central America, with himself as head, plunged the entire Isthmus into turmoil. The situation became so critical during 1907 that President Roosevelt and President Porfirio Diaz of Mexico brought pressure to bear on the various governments to cease their warlike preparations, and to send representatives to Washington to establish their relations on a permanent peaceful basis. The delegates of the five Central American countries met in Washington on November 14, 1907.

WASHINGTON CONFERENCE OF 1907

After more than a month of constant deliberations the Conference drew up eight conventions, the most important of which were a general Treaty of Peace and Amity and a convention establishing a Central American Court of Justice. The most important provisions of the general treaty are the following:

Article 1. The Republics of Central America consider as one of their first duties, in their mutual relations, the maintenance of peace; and they bind themselves to always observe the most complete harmony, and decide every difference or difficulty that may arise amongst them, of whatsoever nature it may be, by means of the Central American Court of Justice, created by the Convention which they have concluded for that purpose on this date.

Article 3. Taking into account the central geographical position of Honduras and the facilities which owing to this circumstance have made its territory most often the theatre of Central American conflicts, Honduras declares from now on its absolute neutrality in event of any

conflict between the other Republics; and the latter, in their turn, provided such neutrality be observed, bind themselves to respect it and in no case to violate the Honduran territory.

Article 16. Desiring to prevent one of the most frequent causes of disturbances in the Republics, the contracting Governments shall not permit the leaders or principal chiefs of political refugees, nor their agents, to reside in the departments bordering on the countries whose peace they might disturb.

The terms of the treaty provided that it remain in force for a term of ten years, and thereafter until denounced by one of the signatories. An additional convention to the general treaty provided:

Article 1. The Governments of the High Contracting Parties shall not recognize any other Government which may come into power in any of the five Republics as a consequence of a *coup d'état*, or of a revolution against the recognized Government, so long as the freely elected representatives of the people thereof have not constitutionally reorganized the country.

CENTRAL AMERICAN COURT OF JUSTICE

The Central American Court of Justice, established by one of the conventions, consisted of five judges, one to be elected by the legislature of each state. To this Tribunal the five republics bound themselves "to submit all controversies or questions which may arise among them of whatever nature and no matter what their origin may be in case the respective Departments of Foreign Affairs have not been able to reach an understanding." The Court was also given jurisdiction over suits which citizens of one of the contracting powers might bring against the government of one of the others on account of violation of a treaty or denial of justice and of other cases of an international character, including those between two or more Central American governments or one of them and a foreign government.

The restoration of peaceful relations in Central America, which was the chief purpose of the Washington conventions, was not realized in the years immediately following their ratification. Zelaya continued to be the center of intrigue in Central America and on several occasions violated both the letter and the spirit of the 1907 agreements. By 1909 the United States had been urged in



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MAP OF CENTRAL AMERICA

turn by all the Central American States to exert itself for the maintenance of the conventions which it had fostered.

REVOLUTION OF 1909

In October, 1909 at a time when the relations between the Zelaya government and the United States were strained, a revolution, headed by General Juan J. Estrada, governor of one of the eastern provinces of Nicaragua with headquarters at Bluefields, was organized by a group of Conservatives to overthrow the Zelaya régime.

The American consul at Bluefields, Thomas

C. Moffett, who was apparently in close touch with the revolutionary group, informed the State Department in advance that the revolution would start in Bluefields on October 8, and that an appeal would be made to Washington for recognition. Five days later, on October 12, Mr. Moffett reported that a provisional government had been established on the 10th, that troops would be sent to the interior at once, and that the overthrow of Zelaya appeared absolutely sure. Mr. Moffett added that the new government was friendly to American interests and that the new President had granted him recognition and had sent assurances in writing of his

friendship toward the American Government.* Among the supporters of Estrada in the revolution may be mentioned Adolfo Diaz, President of the Conservative Government recognized at the present time by the United States, and General Emiliano Chamorro, who brought about the *coup d'etat* of 1925.

U. S. BREAKS OFF DIPLOMATIC RELATIONS

The execution of two Americans named Cannon and Groce, who were charged by the Zelaya government with laying mines in the San Juan river while serving with the revolutionary forces, was an important factor in the breaking of diplomatic relations between the United States and Nicaragua on December 1, 1909. Citing the oppressive domestic measures practised by the Zelaya government and the violations of the Washington conventions, Secretary Knox, in dismissing the Nicaraguan Minister, declared that "the Government of the United States is convinced that the revolution represents the ideals and the will of the majority of the Nicaraguan people more faithfully than does the government of President Zelaya, and that its peaceful control is well nigh as extensive as that hitherto so sternly attempted by the government at Managua."

The withdrawal of diplomatic relations by the United States soon forced President Zelaya to resign in favor of another Liberal leader, José Madriz, who was designated by Zelaya's congress and inaugurated December 21, 1909.

The policy of the United States, following its break with Zelaya was in effect to recognize the *de facto* authority of each faction in the territory under its control. Thus the United States permitted the revolutionary forces to collect the customs at the commercial town of Bluefields on the Atlantic coast and denied this right to the other faction.

BLOCKADE OF BLUEFIELDS, MAY, 1910

At the outset of hostilities the revolutionists succeeded in gaining virtual control of the Atlantic coast, but by May, 1910 the government in power at Managua appeared to

be in a position to suppress the revolt. Madriz despatched an armed ship to Bluefields, the headquarters of Estrada's army, with the intention of blockading the port and capturing the town, thus ending the civil war. An American naval vessel, the U. S. S. *Paducah*, however, had been despatched to Bluefields to protect American lives and property. The American commander landed marines in the city and prevented bombardment of the town. The Madriz vessel was not permitted to maintain the blockade on the ground that it had been fitted out in a United States port under the false pretence that it was a merchant vessel.

Unable to capture Bluefields, the forces of the Madriz government were soon compelled to retire. The revolutionists subsequently defeated the Federal army and after a victory at Granada in August, finally succeeded in reaching Managua. On arriving at the capital General Estrada declared himself provisional president of the Republic and on September 10, requested the recognition of the United States.

Before according recognition, however, the State Department instructed the United States Minister to Panama, Mr. Thomas Dawson, to proceed at once to Managua to reach an understanding on the policy of the new government. Dawson secured four pledges signed by the leaders of the revolution, which the State Department held to be binding upon the signatories "and to constitute a solemn pledge to this and other governments that public order will be maintained."

These pledges, known as the "Dawson Agreements," and signed by Estrada, Adolfo Diaz, Luis Mena, Minister of War, and Emiliano Chamorro, Foreign Minister, paved the way for recognition of Estrada by the United States. Under the agreements the four leaders pledged the prompt election of a constitutional assembly, the adoption of a constitution and the convocation of the people for election of a constitutional president. They also undertook to solicit the good offices of the United States in the negotiation of a loan secured by the customs receipts and settlement of unliquidated claims by means of a Mixed Commission to be appointed in harmony with the United States.

* Foreign Relations of the United States, 1909; p. 752.

The election of the constitutional assembly mentioned in the Dawson Agreements was held November 27-28, 1910, and on December 31, the American Consul at Managua reported the unanimous election by the assembly of General Estrada and Adolfo Diaz as president and vice-president respectively. The following day, January 1, 1911, President Taft extended his cordial felicitations to President Estrada and on January 20, Mr. Elliott Northcott was handed his instructions as Minister to Nicaragua.

OPPOSITION TO UNITED STATES POLICIES

Shortly after his arrival at Managua, Minister Northcott reported on political conditions as follows:*

"Estrada has given a great deal of thought to the situation and has decided that the only hope for Nicaragua is close alliance with the United States. That his course will be antagonized by practically all the Central American Republics is already beginning to be proved by influences felt here. Extracts from Costa Rican papers are especially bitter, and the action of Honduras on the American loan is being kept to the front. Guatemala's attitude is understood to be strongly against Estrada's policy, and Salvador is understood to be somewhat less openly against him. In addition to this, the natural sentiment of an overwhelming majority of Nicaraguans is antagonistic to the United States, and even with some members of Estrada's Cabinet I find a decided suspicion, if not distrust, of our motives. . . . Estrada believes he can force through his policies until such a time as they will justify themselves in the face of all difficulties, provided he can move without delay and can count on the earnest support of the United States."

Writing to the Secretary of State several days later, the American Minister said:

"As the matter now looks to me, President Estrada is being sustained solely by the moral effect of our support and the belief that he would unquestionably have that support in case of trouble. Estrada is unquestionably determined to carry out his policy of seeking our help as he has outlined it and I believe that he will be able to do so, although the element of uncertainty in the matter is the possibility of his resigning, as I am reliably informed he has attempted to do once since I have been here. . . ."

FINANCIAL NEGOTIATIONS

The role played by American bankers in the financial affairs of Nicaragua since the revolution of 1909 has been the subject of wide comment during the course of the present developments. When the Estrada government was established in authority, it found the country saddled with a heavy public debt amounting to approximately \$32,000,000. Zelaya had refunded the foreign debt in 1909 by placing bonds to the amount of £1,250,000 (\$6,075,000) at 75 per cent of their face value, bearing 6 per cent interest, with the Ethelburga Syndicate of London. Service on this loan had been suspended after the revolution and Great Britain had intervened diplomatically on behalf of the bond holders. Inflation had been resorted to both before and during the revolution and the exchange was greatly depreciated.

Following recognition by the United States an American financial expert was sent to Nicaragua and negotiations for a loan convention, subsequently known as the Knox-Castrillo treaty, between the United States Government and Nicaragua were begun. This treaty, signed June 6, 1911 and subsequently ratified by Nicaragua, was on three occasions denied ratification by the United States Senate, and was never put into effect. Its chief provisions, however, are important in the light of subsequent financial operations:

ARTICLE I.

The Government of Nicaragua undertakes to make and negotiate a contract providing for the refunding of its present internal and external debt and the adjustment and settlement of claims, liquidated and unliquidated; for the placing of its finances upon a sound and stable basis; and for the future development of the natural and economic resources of that country. . . .

ARTICLE II.

The loan which shall be made by the Government of Nicaragua pursuant to the above undertaking shall be secured upon the customs of Nicaragua, and the Government of Nicaragua agrees not to alter the import or export customs duties, or other charges affecting the entry, exit, or transit of goods, during the existence of the loan under the said contract, without consultation and agreement with the Government of the United States.

* Foreign Relations of the United States, 1911; p. 655.

ARTICLE III.

A full and detailed statement of the operations under this contract shall be submitted by the Fiscal Agent of the loan to the Department of State of the United States and to the Minister of Finance of Nicaragua at the expiration of each twelve months, and at such other times as may be requested by either of the two Governments.

ARTICLE IV.

The Government of Nicaragua, so long as the loan exists, will appoint from a list of names to be presented to it by the Fiscal Agent of the loan and approved by the President of the United States of America a collector general of customs, who need not be a Nicaraguan and who shall administer the customs in accordance with the contract securing said loan, and will give this official full protection in the exercise of his functions. . . .

**AMERICAN BANKERS
TRANSACTIONS**

Proceeding in the hope that this treaty would become effective, Nicaragua entered into a contract with two New York banking houses, Brown Brothers and J. & W. Seligman Co., for a loan of \$15,000,000, the contract being dependent upon the ratification of the Convention. It was about this same time that Nicaragua also arranged with the United States for the formation of a Mixed Claims Commission, to settle all claims against the Republic. The United States had the right to name two of the Commissioners.

While the bankers were unwilling to proceed with the larger loan until the Convention was ratified, they made a small loan to Nicaragua of \$1,500,000 in 1911. This loan was secured by the customs receipts, and the bankers nominated an American, Colonel Clifford D. Ham, formerly in the Philippines Customs Service, as Collector-General of Customs. Colonel Ham has remained in charge of the customs service up to the present.

Soon after the negotiation of this first loan, it became apparent that the sum which had been advanced would be insufficient to meet the urgent needs of the government and, as a result, during the course of the next few years the American bankers advanced several additional short time loans. In one of these the bankers secured an option to purchase 51 per cent of the stock of the

Nicaraguan railroad, the management of which was to be turned over to an American corporation. This option was taken up in 1913 when the bankers purchased the controlling stock for \$1,000,000. At the same time the bankers purchased an issue of treasury bills to the amount of \$1,000,000, and the Nicaraguan Government used part of these two sums to pay all its outstanding obligations to the bankers.

Prior to this the bankers reached an agreement with the Corporation of Foreign bondholders, whereby the latter agreed to reduce the interest on the Ethelburga loan to five per cent, provided interest and amortization charges were made a first lien on the customs, and that the customs receipts were collected under control of the bankers.

**PROVISIONS OF
FINANCIAL PLAN**

Meanwhile the bankers had developed a plan for the financial reorganization of the country in cooperation with the Department of State and the Nicaraguan Government. This plan, with certain adjustments made during the following years, has remained unchanged in its essentials up to the present. The scheme included the appointment of the Collector-General mentioned above, and provided for a government budget to cover ordinary expenditures; for a special fund to care for extraordinary government expenditure (which special fund was placed under the supervision of the so-called High Commission in 1917 when the plan was revised); and for a National Bank, 51 per cent of which was controlled by the bankers.

Under the plan the Collector-General is nominated by the bankers, approved by the Secretary of State and appointed by the Republic of Nicaragua. He collects both import and export duties and is removable upon the demand of the bankers. He has power to name a deputy-collector and all of his assistants and employees. Detailed statements of the receipts and disbursements are submitted by the Collector-General to the Secretary of State of the United States and the Minister of Finance of Nicaragua, quarterly.

The revenues of Nicaragua may be classified roughly in three divisions: 1. Customs revenues. 2. Internal revenues. 3. Special

funds (such as the school fund raised by a special tax and used only for educational purposes).

DUTIES OF CUSTOMS COLLECTOR

The customs revenues are collected by the Collector-General. The internal revenues are collected by local officials. The special funds are collected in some cases, at the request of the Republic, by the Collector-General and in some cases by local officials. The plan provides that if during any three calendar months collections of internal revenues fall below a specified amount the Collector-General of customs becomes Collector-General of national revenues, assuming much the same powers over the administration and collection of the internal revenues as he already has over the customs receipts. (the Collector-General has so far never had to assume these duties) Under the plan the Republic agrees neither to alter its import and export duties nor its internal taxes without the consent and approval of the bankers, and since 1917, of the High Commission. This was intended to prevent the collection of any additional special funds.

The revenues received from the customs have been used in general to meet the expenses of the Collector-General, to pay for the expenses of the bankers in connection with the financial affairs of the Republic and to meet the interest and amortization charges on the 1909 loan (Ethelburga loan), and the other loans until they were paid. The balance is deposited by the Collector-General in the National Bank and is added to the other revenues of the Republic deposited there under the plan.

The annual budget is prepared by the Minister of Finance and submitted by him to the Assembly. The government under the plan agrees that its expenses will not exceed a certain set amount per month for ordinary and for unforeseen expenses. This amount does not include a special sum from which the High Commission since 1917 has been authorized to permit additional expenses for government purposes. The government has agreed that it will not make any expenditures not contemplated in the budget and that

no indebtedness of the Republic shall be made the subject of a separate law.

POWERS OF THE HIGH COMMISSION

The High Commission, created in 1917 when the original plan was revised, is composed of three members one of whom is appointed by the President of Nicaragua, in practice usually the Minister of Finance, and the other two, one of whom is an umpire, are nominated by the Secretary of State of the United States. (The American members now serving on the Commission are Dr. Jeremiah W. Jenks, umpire, and Mr. Roscoe R. Hill.) The members of the Commission continue in office during the pleasure of those who appoint them. Due to the fact that the financial plan gives to the Commission supervision of the special fund mentioned it has become in some sense the financial adviser of the government. The consent of the High Commission is necessary to allow the altering of duties, taxes, etc. It also supervises the service of the internal funded debt.

The National Bank is the depository of the general revenues of the government. The bank was originally capitalized at \$100,000, which was raised to \$300,000 shortly afterwards. The bank is furnished with a copy of the government budget and is charged with the responsibility of paying out no government monies except upon proper authorization.

The refusal of the United States Senate to ratify the Knox-Castrillo loan convention of 1911 did not prevent this financial plan from being put into effect, although the large \$15,000,000 loan originally contemplated by the bankers was never made. The financial affairs of the Republic remained critical, and for a time following the revolution of 1912 the government was forced to turn over to the bankers the collection of its internal revenue in return for further advances.

PRESENT STATUS OF BANKERS' INTERESTS

By September, 1919 the bankers had received payment in full on the treasury bills of 1913, and the firm of Brown Bros. withdrew from all active participation in Nicar-

aguan financial affairs. J. and W. Seligman and Co. remain agents for the European holders of the 1909 bonds.

The controlling stock in the Nicaragua railway was resold to the Government in 1920 by the bankers, but the J. G. White Co. of New York, was retained by the Republic to manage the road. The stock of the National Bank was sold by the original holders, Brown Bros. and J. & W. Seligman to the Mercantile Bank of North and South America, and was recently sold back to the Republic (1925) by the successors of the Mercantile Bank. The Board of Directors of both the National Bank and the railroad, however, are composed of Nicaraguans and Americans, and the President of the bank is an American, Mr. Robert F. Loree, of the Guaranty Trust Co. The bank is still under American management.

Throughout the course of the various financial transactions the American bankers and the United States State Department, at whose request they undertook the development of the financial plan, were unpopular with opponents of the faction in power in Nicaragua. The negotiations were frequently blocked by a hostile Assembly, and the Liberal Party was uncompromising in its opposition to the original loan convention and the subsequent contracts. Likewise sections of the Conservative Party were at times in opposition to the pro-American policy of the régime in authority. The relation between the State Department and the bankers was frequently the cause of criticism by Nicaraguans, who resented the effect of the American marines stationed at Managua, and the elaborate scheme of control embodied in the financial plan is criticised by many as an encroachment on the sovereignty of the Republic.

AMERICAN INVESTMENTS IN NICARAGUA

The extent of American investments in Nicaragua cannot be estimated with accuracy. A number of companies have interests in Nicaragua as well as the other Central American countries and the value of their holdings in each country has not been catalogued. Among the more important American interests may be mentioned a number of

fruit companies, chiefly interested in the banana trade, mining companies, lumber concerns engaged in exporting mahogany, and coffee plantations. The Bragman's Bluff Lumber Company obtained a large concession in 1923. The United Fruit Company of Boston has extensive interests in banana plantations and has invested more than \$90,000,000 in several Central American countries. The Atlantic Fruit Company and the Cuyamal Company also have large investments in banana plantations. There are several important mines in Nicaragua in some of which the Eden Mining Company of Philadelphia is interested. The J. G. White Company of New York operates the Nicaraguan Railroad which is now owned by the government. The total amount of the various American investments is roughly estimated to be from eight to ten millions of dollars. The value of property holdings is much higher.

The principal commodities exported from Nicaragua and their value in dollars are:*

Coffee	\$5,627,000
Bananas	1,736,000
Wood	1,853,000
Sugar	1,559,000
Gold	586,000
Hides and Skins	219,000

AMERICAN INTERVENTION IN THE REVOLUTION OF 1912

While the Knox-Castrillo loan treaty with the United States was pending and the financial plan was being put into effect, the political situation in Nicaragua became critical due to friction within President Diaz's cabinet. In October, 1911, Luis Mena, the Minister of War, had caused the Assembly to elect him President for the term beginning January 1, 1913, contrary to the Dawson Agreements (which called for popular elections). The United States Minister entered a vigorous protest against the action of Mena, but without effect. Early in 1912, the Mena group, which was strongly anti-American, forced through the constitution provided for in the Dawson Agreements, against the wishes of the United States. Mena's haste was due to the apparent opposition of the State Department, which had requested Diaz to postpone promulgation of the constitution

* Report of the Collector-General of Customs, 1925.

until the arrival of the new American Minister, George T. Weitzel, and the fear that it would amend the document. The temper of the Assembly was strongly anti-American and anti-Diaz.

President Diaz, fearing the power of Mena and his other political opponents, went so far at this time as to suggest to the American *chargé d'affaires* the negotiation of a treaty with the United States which would permit the United States to intervene in the internal affairs of the Republic in order to maintain peace and the existence of a lawful government. This proposal, which was not acted upon at the moment, was later embodied in one of the drafts of the Bryan-Chamorro canal treaty mentioned below.

POLICY OF THE UNITED STATES

Late in August 1912, Mena, backed by a large part of the army, declared open war on the Diaz government. Many Liberals joined the Mena forces, who interrupted services on the railroad which had just been placed under American management and prepared for an attack on Managua. Members of the American colony in Managua and American citizens in other sections in the Republic called upon the Minister to secure protection of their lives and property. The State Department in a note to the American Minister, dated September 4, 1912, announced its policy as follows:

"The policy of the Government of the United States in the present Nicaraguan disturbances is to take the necessary measures for an adequate legation guard at Managua, to keep open communications, and to protect American life and property.

"In discountenancing Zelaya," the State Department note continued, "the Government of the United States opposed not only the individual but the system, and this Government could not countenance any movement to restore the same destructive régime. The Government of the United States will, therefore, discountenance any revival of Zelayism and will lend its strong moral support to the cause of legally constituted good government for the benefit of the people in Nicaragua. . . .

"Under the Washington Conventions (1907) the United States has a moral mandate to exert its influence for the preservation of the general peace of Central America which is seriously menaced by the present uprising, and to this end in the strict enforcement of the Washington

Conventions and loyal support of their aims and purposes all the Central American Republics will find means of valuable cooperation. . . .

"When the American Minister called upon the Government of Nicaragua to protect American life and property, the Minister for Foreign Affairs replied that the government troops must be used to put down the rebellion, adding: 'In consequence, my Government desires that the Government of the United States guarantee with its forces security for the property of American citizens in Nicaragua, and that they extend this protection to all the inhabitants of the Republic.'

"In this situation, the policy of the Government of the United States will be to protect the life and property of its citizens in the manner indicated and, meanwhile, to contribute its influence in all appropriate ways to the restoration of lawful and orderly government in order that Nicaragua may resume its program of reforms unhampered by the vicious elements who would restore the methods of Zelaya."

ACTION OF U. S. EXPEDITIONARY FORCE

On August 10, an expeditionary Marine force of 13 officers and 341 enlisted men under command of Major Smedley D. Butler left Panama on the U. S. S. *Justin* for Nicaragua. Major Butler arrived at Managua on August 14, following the bombardment of the capital by the revolutionists, at about the same time American Marines landed at Corinto, and assumed control of the national railway held by the Mena forces. The prompt arrival of the American marines discouraged the revolutionists and General Mena surrendered at Granada on September 25. A few days later Admiral Southerland, in command of the American fleet ordered the other revolutionary leader, Zeledon, to evacuate the fort at Masaya on the ground that his position threatened the railway. When Zeledon refused, American troops captured the fort. The revolt came to an end shortly afterwards and Mena was transported to Panama on an American ship.

The part played by the American navy and the marine corps in the revolution of 1912 is described by the Secretary of the Navy in his annual report for the year 1913:

"During this period the officers and men participated in the bombardment of Managua, in night ambushade in Masaya, the surrender of General Mena and his rebel army at Granada, the surrender of the rebel gunboats *Victoria* and *Ninety-three*, the assault and capture of Coyo-

tepe, the defense of Paso Cabellos Bridge, including garrison and other duty at Corinto, Chinandega and elsewhere.

"The most notable event during the campaign was the capture of Coyotepe resulting in entirely crushing the revolution and restoring peace to Nicaragua; this assault lasted thirty-seven minutes under heavy fire from the rebel forces before the position, which was considered impregnable by the federal forces, could be taken."

Eight American ships of war participated during the two months which the revolution lasted: *California, Colorado, Cleveland, Annapolis, Tacoma, Glacier, Denver* and *Buffalo*. The naval forces of the United States on duty in Nicaragua comprised 125 officers and 2,600 enlisted men.

POLITICAL RESULTS OF INTERVENTION

The chief result of the intervention of the United States and the defeat of Mena was the restoration of President Diaz's political authority. Immediately following the revolution, a new election was held for the presidential term beginning January 1, 1913, and President Diaz was returned for the ensuing four year term.

For the next thirteen years the United States maintained a legation guard of one hundred marines at Managua. This guard, stationed in one of the forts of the capital, was an important factor in preserving internal peace and without doubt helped to support one section of the Conservative Party during periods when it did not have the backing of any of the larger political groups.

During the political campaign preceding the elections of 1916, the United States was unable to remain entirely neutral. The State Department felt that the continuance in power of the Conservative Party was an important factor in the security of American interests in Nicaragua. The main section of the Conservative Party chose General Emiliano Chamorro, its most popular leader and formerly Nicaraguan Minister at Washington, as its candidate. Whatever chance the Liberals had of securing the benevolent neutrality of the United States was lost when they nominated Julian Irias, who had been closely associated with Zelaya during the last years of his long régime. Under these conditions the United States Minister did not hesi-

tate to lend his open support to the Conservative candidate. The election was held in October, 1916 and resulted in the election of General Chamorro. He was succeeded in the next election by another member of his family, Diego M. Chamorro.

THE BRYAN-CHAMORRO CANAL TREATY

When by 1913 it had become apparent that the United States Senate would refuse to ratify the Knox-Castrillo loan convention of 1911, a new treaty was negotiated between the two countries providing for the payment by the United States and Nicaragua of \$3,000,000 in return for the exclusive right to construct a trans-Isthmus canal through the San Juan River and the Great Lake of Nicaragua, and for the privilege of establishing a naval base in the territory of Nicaragua on the Gulf of Fonseca. This treaty, originally negotiated under Secretary Knox, was amended after Mr. Bryan became Secretary of State by the addition of an article similar to the suggestion to permit American intervention advanced by Diaz two years before. In this article

1. Nicaragua agreed not to declare war without the consent of the United States;
2. not to enter into treaties with foreign Governments affecting her independence or territorial integrity;
3. the right of the United States was recognized to intervene in Nicaraguan affairs when necessary to preserve her independence or to protect life and property in her domain.

The so-called "protector plan," however, was not ratified by the United States Senate and a new treaty without it was signed on August 5, 1914. This was finally ratified with some amendments and proclaimed June 24, 1916. Its provisions were as follows:

Article 1. The Government of Nicaragua grants in perpetuity to the Government of the United States, forever free from all taxation or other public charge, the exclusive proprietary rights necessary and convenient for the construction, operation and maintenance of an inter-oceanic canal by way of the San Juan River and the great Lake of Nicaragua, or by way of any route over Nicaraguan territory, the details of the terms. . . . to be agreed to by the two governments. . . .

Article 2. To enable the Government of the United States to protect the Panama Canal and the proprietary rights granted to the Government of the United States by the foregoing ar-

ticle, . . . the Government of Nicaragua hereby leases for a term of ninety-nine years to the Government of the United States the islands in the Caribbean Sea known as Great Corn Island and Little Corn Island; and the Government of Nicaragua further grants to the Government of the United States for a like period of ninety-nine years the right to establish, operate and maintain a naval base at such place on the territory of Nicaragua, bordering on the Gulf of Fonseca as the Government of the United States may select. . . .

Article 3. In consideration of the foregoing stipulations and for the purposes contemplated by this Convention and for the purpose of reducing the present indebtedness of Nicaragua, the Government of the United States shall, upon the date of the exchange of the ratifications of this Convention, pay for the benefit of the Republic of Nicaragua the sum of \$3,000,000 . . . to be applied by Nicaragua upon its indebtedness or other public purposes for the advancement of the welfare of Nicaragua in a manner to be determined by the two High Contracting Parties. . . .

PROTESTS OF CENTRAL AMERICAN STATES

Even before the publication of this treaty unofficial reports of its provisions led Costa Rica, Salvador, Honduras and Colombia to protest vigorously both to the United States and to Nicaragua against what each considered to be a grave infringement of its own rights. This opposition had led the United States Senate to add to the treaty a proviso which declared that nothing in the Convention was intended to affect any existing right of Costa Rica, Salvador or Honduras, but this had little effect in conciliating these states.

After the proclamation of the treaty, Costa Rica and El Salvador took their protest to the Central American Court of Justice, requesting the Court to enjoin Nicaragua from carrying out the provisions of the treaty. The Court took cognizance of the matter despite Nicaragua's refusal to be a party to any action before it.

The case of Costa Rica was based upon the boundary treaty of 1858 between Costa Rica and Nicaragua, giving the former perpetual rights of free navigation in the lower part of the San Juan River. Furthermore, by this treaty, the Nicaraguan Government had agreed to consult her before entering into any contract for the construction of an Inter-oceanic canal. A subsequent dispute about

the terms of this treaty had lead in 1888 to the submission of the questions at issue to President Cleveland for arbitration. The latter held the treaty valid and in his award stated that "The Republic of Nicaragua remains bound not to make any grants for canal purposes across her territory without first asking the opinion of the Republic of Costa Rica."

Costa Rica further asserted that the new treaty infringed her rights under the provisions of the Washington Convention of 1907, which granted to each Central American Republic the free navigation of the waters of the others. Nicaragua refused to answer the complaint of Costa Rica and would not recognize the competence of the Court in the matter, and denied that the Treaty was either a concession for the construction of a canal or an agreement for the sale of the San Juan River. She maintained that it was merely an option granting to the United States the privilege of building a canal under an additional contract at some future date.

The protests of El Salvador against the Treaty were directed chiefly against the establishment of a naval base in the Gulf of Fonseca. She maintained that "The establishment by a powerful State of a naval base in the immediate vicinity of the Republic of El Salvador would constitute a serious menace . . . to the freedom of life and the autonomy of that Republic." Besides being a positive menace by reason of the influence that the United States must needs exercise in connection with incidents of the highest importance in the national life of the small neighboring states, Salvador was especially fearful that "in any armed conflict that might arise between the United States and one or more military powers, the territories bounded by the Gulf of Fonseca would be converted . . . into belligerent camps wherein would be decided the fate of the proposed naval establishment." This, she felt, "would inevitably involve the sacrifice of the independence and sovereignty of the weaker Central American States."

The decision of the Court in the case of Costa Rica was handed down December 30, 1916, and declared that Nicaragua had violated Costa Rica's rights by making the treaty, but declined to declare the treaty void

as it had no jurisdiction over the United States. On March 2, 1917, a similar decision was handed down in the case of Salvador.

The action of the court was disregarded by the United States and by Nicaragua and as a result the court soon ceased to function.

THE CENTRAL AMERICAN CONFERENCE OF 1923

In November, 1922 the five Central American Republics invited the United States to summon a Conference on Central American affairs to be held in Washington for the purpose of revising and putting into effect the Washington Treaties of 1907. The treaties had never achieved the results anticipated at the time they were promulgated, and the Central American Court had ceased to function after the United States and Nicaragua had disregarded its judgment in the canal dispute. This conference assembled December 4, 1922 at the Pan-American Union in Washington and entered into a series of treaties, the most important of which were a Treaty of Peace and Amity, a Convention for the Establishment of an International Central American Tribunal, another for an International Commission of Inquiry and a Convention for the Limitation of Armaments.

The chief provisions of the 1923 treaties were as follows:

GENERAL TREATY OF PEACE AND AMITY, ARTICLE II.

Desiring to make secure in the Republics of Central America the benefits which are derived from the maintenance of free institutions and to contribute at the same time toward strengthening their stability, and the prestige with which they should be surrounded they declare that every act, disposition or measure which alters the constitutional organization in any of them is to be deemed a menace to the peace of said Republics whether it proceed from any public power or from the private citizens.

Consequently, the Governments of the Contracting Parties, will not recognize any other Government which may come into power in any of the five Republics through a *coup d'etat* or a revolution against a recognized Government, so long as the freely elected representatives of the people thereof have not constitutionally reorganized the country. And even in such a case they obligate themselves not to acknowledge the recognition if any of the persons elected as President, Vice-President or Chief of State designate should fall under any of the following heads:

1. If he should be the leader or one of the leaders of a *coup d'etat* or revolution, or through blood relationship or marriage, been an ascendent or descendent or brother of such leader or leaders.
2. If he should have been a Secretary of State or should have held some high military command during the accomplishment of the *coup d'etat*, the revolution, or while the election was being carried on, or if he should have held this office or command within the six months preceding the *coup d'etat*, revolution, or the election.

Furthermore, in no case, shall recognition be accorded to a government which arises from election to power of a citizen expressly and unquestionably disqualified by the Constitution of his country as eligible to election as President, Vice-President, or Chief of State designate.

Though not a party to this Treaty, the United States agreed to be guided by its principles in the recognition of Central American Governments. In an informal letter of January 25, 1926, to Señor Castrillo, Nicaraguan Minister at Washington, Secretary Kellogg said:

"The object of the Central American countries with which the United States was heartily in accord, was to promote constitutional government and orderly procedure in Central America and those Governments agreed upon a joint course of action with regard to the non-recognition of governments coming into office through *coup d'etat* or revolution. The United States has adopted the principles of that Treaty (General Treaty of Peace and Amity, signed February 7, 1923) as its policy in the future recognition of Central American Governments as it feels that by so doing it can best show its friendly disposition towards and its desire to be helpful to the Republics of Central America."

TREATY CREATING CENTRAL AMERICAN TRIBUNAL

1. The Contracting Parties agree to submit to the International Tribunal established by the present Convention all controversies or questions which now exist between them or which may hereafter arise, whatever their nature or origin, in the event that they have failed to reach an understanding through diplomatic channels, or have not accepted some other form of arbitration, or have not agreed to submit said questions or controversies to the decision of another tribunal. Nevertheless, the questions or controversies which affect the sovereign and independent existence of any of the Signatory Republics cannot be the object of arbitration or complaint.
2. The Parties agree that the decision of the International Tribunal established by the present Convention with regard to the questions submitted to it shall be regarded as final, irrevocable, without appeal, and binding upon the

countries submitting disputes, should such decisions be rendered within the time stipulated in the Protocol or in the Rules of Procedure applicable to the case as prescribed in Article XIX....

CONVENTION FOR THE LIMITATION OF ARMAMENTS

Under the terms of Article 1 of this Convention, the five Central American Republics "agree that for a period of five years from the date of the coming into force of the present Convention they shall not maintain a standing army and National Guard in excess of the number of men hereinafter provided, except in case of civil war, or impending invasion by another State:

Guatemala	5,200
El Salvador	4,200
Honduras	2,500
Nicaragua	2,500
Costa Rica	2,000

The history of political events in Nicaragua since the elections of 1925 cannot be recounted with the same precision as those of the preceding years, as the diplomatic correspondence covering these events has not yet been published by the United States and the necessary documents are unobtainable. The following facts, however, may be accepted as a fair statement based on the available information.

The Nicaraguan election of 1924 was held under a new election law drafted by Mr. H. W. Dodd, an American expert. The Conservative and Liberal parties agreed to a coalition whereby the Conservatives named Carlos Solorzano as president and the Liberals nominated Juan B. Sacasa as vice-president. Emiliano Chamorro ran as independent candidate for president. The coalition ticket was returned by a large majority, Solorzano and Sacasa being elected by approximately 48,000 votes as against 28,000 for Chamorro. This government was recognized by the United States and the other Central American countries.

THE CHAMORRO "COUP D'ETAT" OF 1925

Notice of the intention of the United States to withdraw its marines stationed at Managua since 1912 was given about a year before the new president took office January 1, 1925. At the request of President Solor-

zano, however, the United States was prevailed upon to maintain the legation guard until August 3, 1925, in order to give the new administration an opportunity to establish a constabulary, or national guard, under the guidance of American instructors, to assure maintenance of order. Although the original plans, which called for a force of about 2,000 men picked by American officers, were not carried out, the State Department suggested the name of Major Carter, who served as instructor until President Diaz assumed authority. His successor has not yet been named.

Within two months after the departure of the marines, disturbances broke out between the supporters of Chamorro and those of the President. Chamorro took possession of one of the forts overlooking Managua and forced Solorzano to substitute Chamorro's supporters in the cabinet, to pay Chamorro the expenses of the uprising and to expel eighteen members of the Assembly who were unfriendly to him on the ground that they had been fraudulently elected. With control of the Assembly, Chamorro had himself appointed as Designate for the presidency January 16, 1926. Meanwhile, Vice-President Sacasa had been forced to leave the country and on the day that Chamorro was appointed Designate, President Solorzano resigned and Chamorro took office.

The United States, as well as the four Central American countries, refused to recognize General Chamorro as president on the ground that the manner in which he had assumed office was in direct contravention to the terms of the 1923 agreement with regard to non recognition of governments coming into office through a *coup d'etat* or revolution.

General Chamorro endeavored to maintain himself in power, despite the non-recognition of the United States, but a revolution led by the Liberals who had cooperated in the Solorzano government broke out in May on the east coast in the neighborhood of Bluefields. After several setbacks the Liberals succeeded in establishing control over practically all of the Atlantic Coast.

On August 24, 1926 United States war vessels of the special service squadron were dispatched to Bluefields and to Corinto on the Pacific Coast, with the announced inten-

tion of protecting American and foreign lives and property.

Two months later, in October, 1926, both parties sought the good offices of the United States in the hope of effecting a settlement of the conflict. An armistice lasting approximately thirty days was arranged at the suggestion of Admiral Latimer in command of the American squadron, and a peace conference was held at Corinto, but the two parties were unable to agree on the basis for resumption of peaceful relations.

Following the failure to reach an accord, hostilities were resumed on October 30, and at the same time Chamorro, realizing the futility of attempting to maintain his position, turned over the Executive power to Sebastian Uriza, one of his supporters. The United States, however, refused to recognize Uriza on the ground that his assumption of office had no constitutional basis.

RECOGNITION OF DIAZ BY U. S.

On November 10 Uriza summoned the Assembly to extraordinary session. President Coolidge, reviewing the events leading up to the election of Diaz in his message to Congress on January 11, declared that the membership of this Assembly was substantially the same as that first convened following the election of 1924. This contention has been denied by Nicaraguan Liberals who claim that their deputies were not given a fair opportunity to vote in the Assembly. The following day, November 11, Adolfo Diaz assumed the presidency, following his selection by the Assembly as first Designate. President Diaz was inaugurated November 14 and three days later the United States extended recognition to his government. Shortly afterwards the Diaz government was also recognized by Great Britain, France, Germany, Italy, Spain, Colombia, Honduras and El Salvador. Recognition was withheld by Mexico, Costa Rica, Guatemala, Argentina, Brazil and other South American countries.

On assuming the presidency, Diaz at once requested the United States to protect American and foreign lives and property, and declared that the Government of Mexico was openly supporting the Liberal revolution in an effort to establish its influence in Nicara-

gua. The charges made by President Diaz against Mexico were advanced at a time when the State Department was engaged in a serious controversy with Mexico over the land and oil law question. The Department, on announcing the recognition of Diaz, intimated to the three principal American press associations that a Mexican-fostered Bolshevik hegemony in Central America was viewed with concern in Washington. On several occasions during the ensuing weeks President Diaz reiterated his charges against Mexico and his appeal for American assistance.

Reports that Diaz had negotiated a new \$300,000 loan with the American bankers were not affirmed or denied in New York.

Meanwhile, late in November, Dr. Sacasa had returned to Nicaragua and established "a constitutional government" at Puerto Cabezas on the Atlantic coast. On December 2 he was inaugurated President by his supporters and shortly afterwards was extended recognition by Mexico. Dr. Sacasa bases his claim to the presidency on a provision of the Nicaraguan constitution which establishes that in the absence of the president the executive power goes into the hands of the vice-president. He maintains that, because he was forced from the country by Chamorro at the time of the *coup d'etat*, the selection of another president by the Assembly was illegal.

Adolfo Diaz, on the other hand, bases his claim on the same article of the constitution (Article 106) which also provides that in the absence of the president and vice-president, the Assembly shall designate one of its members to complete the unexpired term of the president. As Dr. Sacasa was not in the country, Diaz maintains that his own designation was entirely legal.

LIBERAL CAPITAL DECLARED NEUTRAL ZONE

Following the return of Dr. Sacasa, hostilities between the two factions were renewed. On December 23, Admiral Latimer, in command of the special service squadron, landed a force of blue jackets at Rio Grande Bar and Puerto Cabezas, the capital of the Liberal government. A neutral zone, comprising territory within rifle range of Amer-

ican and foreign properties, was established at both ports for the purpose of protecting American and foreign lives and interests. It was announced by the State Department that appeals for protection had been received from American citizens having interests in the district. According to newspaper dispatches the Liberal guard on duty at Puerto Cabezas was disarmed and a radio censorship was established by Admiral Latimer. Knowledge of any censorship was at first denied by the State Department, but acknowledged a few days later when it was ordered withdrawn. At about the same time President Coolidge lifted the arms embargo which had been placed on all shipments to Nicaragua at the time of the Corinto Conference and authorized shipments of war materials to the Diaz government.

Following several engagements between the two factions in Nicaragua, and a Liberal victory at Pearl Lagoon, reported by Admiral Latimer December 27, six additional warships were rushed to Nicaraguan waters, bringing the total to fifteen with a personnel of nearly five thousand officers and enlisted men. On January 6 the Navy Department announced that the following vessels were in Nicaraguan waters or en route: The U. S. *S. Rochester, Cleveland, Denver, Galveston, Broos, Barry, Borie, Quail, Edwards, Argonne, Cincinnati, Marblehead, Barker, Smith-Thompson and Osborne.*

DECLARATIONS OF U. S. POLICY

With the dispatch of this naval squadron and the landing of marines at various points in Nicaragua, the policy being pursued by the State Department was made the object of severe criticism in both the Senate and the House. Leading Democratic congressmen were outspoken in opposition to the Administration's course. From December 24 to January 10, when President Coolidge addressed a special message to Congress on the Nicaraguan situation, the State Department and the White House spokesman made day to day statements in answer to criticisms advanced in Congress, giving their reasons for the policy being pursued.

When Admiral Latimer first landed his forces at Puerto Cabezas it was announced by the State Department that he was acting

solely to protect American lives and property. A few days later, the rights granted the United States under the Bryan-Chamorro treaty to construct an inter-ocean canal through Nicaragua were cited by the State Department, as an additional reason for the administration's policy. On January 5 (about two weeks after Admiral Latimer landed marines at Puerto Cabezas) the State Department announced that the British and Italian *chargés d'affaires* had requested American protection of their nationals. The telegram from United States Minister Eberhardt at Managua, dated January 5, did not indicate the exact date on which these representations were made.

On January 10 President Coolidge presented the full case for the Administration policy. In addition to the reasons already advanced the President mentioned for the first time officially the seriousness with which the Administration viewed Mexico's part in the affair.

The President said in part:

"The United States cannot fail to view with deep concern any serious threat to stability and constitutional government in Nicaragua tending toward anarchy and jeopardizing American interests, especially if such state of affairs is contributed to or brought about by outside influence or by any foreign power."

The President continued:

"As a matter of fact I have the most conclusive evidence that arms and munitions in large quantities have been . . . shipped to the revolutionists in Nicaragua. Boats carrying these munitions have been fitted out in Mexican ports and some of the munitions bear evidence of having belonged to the Mexican Government. It also appears that the ships were fitted out with the full knowledge and in some cases with the encouragement of Mexican officials . . ."

Mexico, in what was considered an unofficial reply to President Coolidge's message, made public on January 11 a statement by Foreign Minister Aaron Saenz, in which he contended that an amicable solution could be achieved on questions pending between the two countries. The statement denied that Mexico had any interest in Nicaragua and reviewed at some length the reasons that prompted the Calles Government to recognize the Sacasa government of Nicaragua. Minister Saenz declared that the action of

Mexico conformed with the 1923 Washington conventions.

In regard to President Coolidge's statement that ships carrying arms to the Liberal faction in Nicaragua were fitted out in Mexico with the knowledge of Mexican officials, statements appeared in a New York paper* to the effect that at least one vessel, the S. S. *Foam* left New York harbor July 30 for Nicaragua to take on munitions for the troops of the Sacasa faction.

Three days after President Coolidge had delivered his message to Congress, Secretary Kellogg appeared before the Senate Committee on Foreign Relations and set forth additional reasons that induced President Coolidge to adopt the present policy in Nicaragua. The published portions of Secretary Kellogg's statement dealt at length with resolutions of the Red International, the All-American Anti-Imperialist League and other Communist organizations in the United States, which set forth the aims of these groups to organize Latin America against the United States.

The Mexican Government, through Aaron Saenz, Minister of Foreign Affairs, denied that the evidence cited by Secretary Kellogg involved the Government of Mexico. It was pointed out that one of the references cited showed that the Mexican Federation of Labor had protested against the alleged propaganda activities of the Soviet Minister to Mexico requesting him "to abstain from lending moral and economic support to the so-called radical groups, enemies of the Mexican Federation of Labor and the Mexican Government."

* New York World, January 15, 1927.

Senator Borah, after waiting until the President and Secretary of State had presented their case, responded on January 13 with a vigorous denunciation of the Administration policy and a proposal for handling the situation. Senator Borah expressed the view that the United States should demand that Diaz call an election to afford the Nicaraguans a chance to choose a new constitutional president. He also proposed arbitration of the dispute with Mexico over the land and oil laws.

Editorial comment in the foreign press, both European and Latin American, has been critical of the course being pursued by the United States. Charges of "imperialism" were frequently made, particularly in the Latin American press, during the course of events in January. American intervention has been denounced in virtually all of the South American capitals.

As this report goes to press there are indications that the present difficulties of Nicaragua may be settled by mediation between the two factions.

President Ricardo Jimenez of Costa Rica, through the Costa Rican Minister at Washington has offered the good offices of his government to end the internal strife. Two other Central American states, Guatemala and Salvador have approached the State Department to ascertain its attitude on mediation. Secretary Kellogg on January 15 announced that the offers were being received sympathetically. Simultaneously, appeals and petitions from all parts of the United States urging that conciliatory measures be resorted to in settling both the Nicaraguan and Mexican dispute have been received in Washington.

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